

SUBMISSION COVER SHEET

IMPORTANT: Check box if Confidential Treatment is requested ☐

Registered Entity Identifier Code (optional): 18-314R

Organization: The Board of Trade of the City of Chicago, Inc. ("CBOT")

Filing as a: ☒ DCM ☐ SEF ☐ DCO ☐ SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 07/12/18 Filing Description: Amendments to Increase the Premium Charge (Storage Rates) for the Corn, Mini-Sized Corn, Soybeans, and Mini-Sized Soybean Futures Contracts Effective Fourth Quarter 2019

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

<input type="checkbox"/>	Certification	§ 40.6(a)
<input type="checkbox"/>	Approval	§ 40.5(a)
<input type="checkbox"/>	Notification	§ 40.6(d)
<input type="checkbox"/>	Advance Notice of SIDCO Rule Change	§ 40.10(a)
<input type="checkbox"/>	SIDCO Emergency Rule Change	§ 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

<input type="checkbox"/>	Certification	§ 40.2(a)
<input type="checkbox"/>	Certification Security Futures	§ 41.23(a)
<input type="checkbox"/>	Certification Swap Class	§ 40.2(d)
<input type="checkbox"/>	Approval	§ 40.3(a)
<input type="checkbox"/>	Approval Security Futures	§ 41.23(b)
<input type="checkbox"/>	Novel Derivative Product Notification	§ 40.12(a)
<input type="checkbox"/>	Swap Submission	§ 39.5

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

<input type="checkbox"/>	Certification	§ 40.6(a)
<input type="checkbox"/>	Certification Made Available to Trade Determination	§ 40.6(a)
<input type="checkbox"/>	Certification Security Futures	§ 41.24(a)
<input type="checkbox"/>	Delisting (No Open Interest)	§ 40.6(a)
<input type="checkbox"/>	Approval	§ 40.5(a)
<input type="checkbox"/>	Approval Made Available to Trade Determination	§ 40.5(a)
<input type="checkbox"/>	Approval Security Futures	§ 41.24(c)
<input checked="" type="checkbox"/>	Approval Amendments to enumerated agricultural products	§ 40.4(a), § 40.5(a)
<input type="checkbox"/>	"Non-Material Agricultural Rule Change"	§ 40.4(b)(5)
<input type="checkbox"/>	Notification	§ 40.6(d)

Official Name(s) of Product(s) Affected: See filing.

Rule Numbers: See filing.

July 12, 2018

VIA ELECTRONIC PORTAL

Mr. Christopher K. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

**Re: CFTC Regulation 40.4(a)/40.5(a) Approval. Notification Regarding Amendments to Increase the Premium Charge (Storage Rates) for the Corn, Mini-Sized Corn, Soybeans, and Mini-Sized Soybean Futures Contracts Effective Fourth Quarter 2019.
CBOT Submission No. 18-314R**

Dear Mr. Kirkpatrick:

Pursuant to Commodity Futures Trading Commission ("CFTC" or "Commission") Regulations 40.4(a) and 40.5(a), The Board of Trade of the City of Chicago, Inc. ("CBOT" or "Exchange") is requesting approval for changes to the Corn futures (CME Globex Code: ZC; Clearing Code: C; Rulebook Chapter: 10), Mini-Sized Corn futures (CME Globex Code: XC; Clearing Code: YC; Rulebook Chapter: 10B), Soybean futures (CME Globex Code: ZS; Clearing Code: S; Rulebook Chapter: 11), and Mini-Sized Soybean futures (CME Globex Code: XK; Clearing Code: YK, Rulebook Chapter: 11B) contracts (collectively, the "Contracts") to increase the premium charges (storage rates) (collectively the "Rule Amendments"). The Exchange anticipates an effective date of December 11, 2018.

Upon consultation with the Commission, CBOT Submission No. 18-314R amends the effective date of the Rule Amendments from August 27, 2018 to December 10, 2018 and includes additional information in connection with the Exchange's convergence monitoring process. CBOT Submission No. 18-314R does not alter the substance of the Rule Amendments. No other changes have been made to the original CBOT Submission No. 18-314

Specifically, the Exchange is requesting approval to increase premium charges for the Contracts from 16.5/100s of one cent per bushel per day to 26.5/100s of one cent per bushel per day. This is a change from approximately 5 cents per bushel per month to approximately 8 cents per bushel per month. The Exchange proposes the premium charge increases to take effect following expiration of the November 2019 contract month for the Soybean futures and Mini-Sized Soybean futures contracts and following the expiration of the December 2019 contract month for the Corn futures and Mini-Sized Corn futures contracts. The Rule Amendments are provided in Exhibit A below in blackline format.

Corn:	Present – 12/18/19	Commencing 12/19/19
	16.5/100 of one cent per bushel per day	26.5/100 of one cent per bushel per day
Soybeans:	Present – 11/18/19	Commencing 11/19/19
	16.5/100 of one cent per bushel per day	26.5/100 of one cent per bushel per day

To further align the Contracts to the cash market, the Exchange began conducting extensive market participant outreach, canvassing market participants beginning in the fourth quarter of 2017 as part of a

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focus group consisting of a cross-section of industry participants. At that time, a variety of potential changes were identified. The focus group met in Chicago in the second quarter of 2018 and a majority consensus supported an increase in the fixed storage rate of the Contracts would be the best alternative to improve convergence and market performance. Subsequently, the Exchange released a survey which was availed to the entire industry which garnered over 80 responses. A majority of responses (approximately 75%) indicated that an imminent increase to the fixed storage rate, while maintaining openness toward a further increase, was desired. A small number of respondents favored a wholesale move to variable storage rates or recommended that the Exchange take no action to alter the Contracts.

Upon implementation of the Rule Amendments and for a period of at least three (3) consecutive expirations, the Exchange will closely monitor and review the impact the Rule Amendments have had on price convergence to determine whether the changes appear sufficient and whether further adjustments may be warranted.

The Exchange considers a variety of factors when making implementation decisions pertaining to the terms and conditions of enumerated agricultural contracts:

- **Levels of Open Interest** – per CFTC Regulation 40.4, an exchange can self-certify changes to an enumerated agricultural contract if those changes are implemented on contracts without open interest. However, since the listing cycle extends through December 2021, the Exchange needs to balance its obligation to resolve conditions interfering with cash-futures convergence against any potential impact on the value of existing positions. Under these circumstances, the Exchange evaluates the structure of existing open interest to identify a time period where a contract change would make minimal impact. At the close of trade date July 9, 2018, only 3/10ths of one percent of open interest for corn would be impacted by the change and 1/10th of one percent of soybean open interest would be impacted.
- **Historical Precedent** – with the exception of the recent change to KC HRW Wheat, changes to storage and premium rates have typically been implemented after expiration of new crop months to coincide with the beginning of the storage rate assessment period (the 19th of the delivery month) with the rationale that the supply and demand dynamics for the new crop would be the principal determining factors for the price, as opposed to any adjustment to storage rates. Given this historical precedent of implementing storage and premium rate changes after new crop contract months expire, any other choice of implementation date could be considered somewhat arbitrary. In addition, the Exchange notes that information about planting estimates and demand for the subject commodities is not yet available, so in addition to the storage rate changes, there are a number of variables that may impact the prices – and spreads – for corn and soybeans, but cannot be accurately assessed at this time.
- **Spreads Relative to Financial Full Carry** – the Exchange looks at calendar spreads relative to full storage and financial full carry. Spreads inside full storage and inside financial full carry are not being constrained by storage rates, and an increase in storage should theoretically not materially affect prices. All calendar spreads out of the November 2019 Soybean futures contract and out of the December 2019 Corn futures contract are inside both storage and financial full carry.

The Exchange reviewed the designated contract market core principles (“Core Principles”) as set forth in the Commodity Exchange Act (“CEA” or “Act”) and identified that the Rule Amendments may have some bearing on the following Core Principles:

- **Availability of General Information:** To comply with this Core Principle and to ensure that market participants are apprised of the Rule Amendments, the Exchange will make publicly available the details of the Rule Amendments herein by publishing a Special Executive Report (“SER”) to the market. The SER will also be available on the CME Group website.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.4(a) and 40.5(a), the Exchange hereby certifies that the Rule Amendments comply with the Act, including regulations under the Act.

Alternative views of market participants are noted above, but the Exchange notes that there was no substantive opposing views to the Rule Amendments.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

If you require any additional information regarding this submission, please e-mail CMEGSubmissionInquiry@cmegroup.com or contact me at 212-299-2200.

Sincerely,

/s/Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Exhibit A - Amendments to CBOT Rules 10108., 10B08, 11108., and 11B08. ("Premium Charges") (blackline format) (Effective Upon Approval)
Exhibit B - Amendments to CBOT Rules 10108., 10B08, 11108., and 11B08. ("Premium Charges") (blackline format) (Effective November 19, 2019)
Exhibit C - Amendments to CBOT Rules 10108., 10B08, 11108., and 11B08. ("Premium Charges") (blackline format) (Effective December 19, 2019)

Exhibit A

CBOT Rulebook

(additions underlined)

Chapter 10 Corn Futures

(Effective Upon Approval)

10108. PREMIUM CHARGES

(EFFECTIVE THROUGH DECEMBER 18, 2019)

To be valid for delivery on futures contracts, all shipping certificates covering corn under obligation for shipment must indicate the applicable premium charge. No shipping certificates shall be valid for delivery on Corn futures contracts unless the premium charges on such corn shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the shipping certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including the date of delivery.

The premium charges on corn shall not exceed 16.5/100 of one cent per bushel per day.

10108. PREMIUM CHARGES

(EFFECTIVE ON DECEMBER 19, 2019 AND BEYOND)

To be valid for delivery on futures contracts, all shipping certificates covering corn under obligation for shipment must indicate the applicable premium charge. No shipping certificates shall be valid for delivery on Corn futures contracts unless the premium charges on such corn shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the shipping certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including the date of delivery.

The premium charges on corn shall not exceed 26.5/100 of one cent per bushel per day.

Chapter 10B Mini-Sized Corn Futures

10B08. PREMIUM CHARGES

(EFFECTIVE THROUGH DECEMBER 18, 2019)

To be valid for delivery on futures contracts, all shipping certificates covering mini-sized Corn must indicate the applicable premium charge. No shipping certificates shall be valid for delivery on futures contracts unless the premium charges on such corn shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the shipping certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including the date of delivery.

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The premium charges on mini-sized Corn shall not exceed 26.5/100 of one cent per bushel per day.

Chapter 11 Soybean Futures

11108. PREMIUM CHARGES

(EFFECTIVE THROUGH NOVEMBER 18, 2019)

To be valid for delivery on futures contracts, all shipping certificates covering soybeans under obligation for shipment must indicate the applicable premium charge. No shipping certificates shall be valid for delivery on soybean futures contracts unless the premium charges on such soybeans shall have been paid up to and including the 18th calendar day of the preceding month, and such payment is endorsed on the shipping certificate. Unpaid accumulated premium charges at the posted rate applicable to the facility shall be allowed and credited to the buyer by the seller up to and including date of delivery.

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Exhibit B

CBOT Rulebook

(additions underlined; deletions ~~struckthrough~~)

Chapter 10 Corn Futures

(Effective on November 19, 2019)

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Exhibit C

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(Effective on December 19, 2019)

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